

Message Text

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ACTION EUR-12

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AMEMBASSY RABAT

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E.O. 11652: N/A

TAGS: ETRD

SUBJECT: DUAL PRICING IN THE US PHOSPHATE INDUSTRY

REF: A) EC BRUSSELS 7548, B) STATE 194150, C) PARIS 22681,

D) STATE 141740

1. PRIOR TO THE RECEIPT OF THE COMMISSION'S COMPLAINT ON DUAL PRICING IN THE US PHOSPHATE INDUSTRY, REF A, THE AMBASSADOR AND ECON COUNSELOR HAD A CONVERSATION WITH A REPRESENTATIVE OF PHOSCHEM WHO HAD COME OSTENSIBLY TO SPEAK ABOUT THE US PHOSPHATE INDUSTRY'S CONCERN IN FACING A COMMUNITY TARIFF ON PHOSPHATE FERTILIZERS, WHEREAS MOROCCAN SHIPMENTS ENTER DUTY-FREE UNDER THE COMMUNITY'S FREE TRADE AREA AGREEMENT.

2. THE MISSION IS IN NO POSITION TO JUDGE WHETHER THE ACCOUNT BY THE REPRESENTATIVE OF PHOSCHEM OR THE COMMISSION'S AIDE MEMOIRE IS A MORE ACCURATE REFLECTION OF THE SITUATION IN THE PHOSPHATE INDUSTRY, BUT THE PHOSCHEM REPRESENTATIVE'S ANALYSIS IS AN
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ALTERNATIVE EXPLANATION OF WHAT IS OCCURRING IN THAT INDUSTRY

IN EUROPE. THE PHOSCHEM REPRESENTATIVE SAID THAT INTERNATIONAL TRADE IN PHOSPHATE ROCK IS DROPPING AS PROCESSING PLANTS ARE INSTALLED OVER THE ROCK. BOTH AMERICANS AND MOROCCANS ARE BUILDING PLANTS TO REDUCE PHOSPHATE ROCK TO PHOSPHATIC ACID, A MUCH LESS BULKY ITEM FOR SHIPMENT ABROAD. CONSEQUENTLY, EUROPEAN ROCK TREATMENT WILL CONTINUE TO FALL OFF. THE US INDUSTRY WOULD HAVE NO INTEREST IN BUYING ANTIQUATED EUROPEAN PLANTS FOR THE PURPOSE OF TREATING ROCK IN THEM. US INDUSTRY IN ITS DEALINGS WITH EUROPE FOLLOWS THE PRICE LEAD OF THE MOROCCANS.

3. ACCORDING TO THE REPRESENTATIVE, US EXPORTERS ARE CONCERNED THAT HEAVY MOROCCAN INVESTMENTS FOR THE PRODUCTION OF ACID CAN CURTAIL AMERICAN EXPORTS TO EUROPE SUBSTANTIALLY SINCE AMERICAN SHIPMENTS OF ACID AND OTHER PHOSPHATIC FERTILIZER COMPOUNDS FACE TARIFFS WHEREAS THE MOROCCANS DO NOT. THE FRENCH BRING IN SUBSTANTIAL QUANTITIES OF ACID FROM MOROCCO.

4. WE COUNSELED THE REPRESENTATIVE OF THE PHOSPHATE INDUSTRY THAT THE BEST REMEDY FOR THE TARIFF PROBLEM WAS A SUCCESSFUL MTN. HE FELT THAT CHANGES IN THE EUROPEAN PHOSPHATE TRADE, I.E. MANY PROCESSORS ARE EAGER TO GET CHEAP ACID AND OTHER SEMI-MANUFACTURED BASE PRODUCTS, WOULD PERSUADE MANY NON-FRENCH EUROPEAN PRODUCERS TO SUPPORT REDUCTIONS IN EUROPEAN TARIFFS.

5. ACTION REQUEST: WASHINGTON INDUSTRY ANALYSIS AND COMMENT INCLUDING INFO RE RESTRICTIVE BUSINESS PRACTICES ALLEGATIONS (BEYOND THAT IN REF D) WOULD BE WELCOME. HINTON

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